

PROGRAM PERFORMANCE MONITORING AND EVALUATION AT USAID

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In October 1995, USAID put in place a new system of program planning, implementation, and performance monitoring and evaluation. This approach, part of the "re-engineering" of USAID's operations, builds on experience over the previous several years with strategic planning and performance measurement above the individual project level.

This paper first briefly describes USAID's current performance monitoring and evaluation (PME) system, then traces the evolution of this approach from the late 1980s. It finishes with a discussion of lessons learned from experience and current issues regarding PME in USAID.

Performance Monitoring and Evaluation in USAID

USAID no longer funds individual *projects*. Instead, the Agency seeks to achieve *strategic objectives*. Strategic objectives are significant development results which can be accomplished over 5-8 years, with contributions from USAID and its partners. Each USAID operating unit (usually USAID field missions overseas) develops a *strategic plan*, which lays out its strategic objectives, *intermediate results* (specific development outcomes more directly related to activities funded which can be achieved in 2-5 years), and *performance indicators* for both strategic objectives and intermediate results. Based on headquarters approval of the strategic plan, operating units approve and implement activities to achieve the results set forth in the plan. Funds are provided by strategic objective, not for individual projects or activities, giving operating units flexibility to shift resources without elaborate documentation or lengthy approval processes.

Strategic objectives are based on the local development situation, other partner activities, and the resources available to USAID. Thus, there is considerable variety in the objectives set by each field mission. All objectives, however, must contribute to the development priorities set in an Agency-level *Strategic Framework*. This Framework identifies USAID's overall mission, the U S national interests supported by its programs, and five *Agency Goals* in the broad areas in which USAID works--economic growth, democracy and governance, population and health, the environment, and humanitarian assistance. The Framework outlines USAID's development strategy for the five Goals,

including more specific *Agency Objectives* in each area and the *Program Approaches* that operating units follow to accomplish each objective. An initial set of performance indicators for Agency Goals and Objectives has been selected. These are country-level development indicators that reflect the kinds of changes USAID seeks to bring about. They measure long term results which are usually not directly the outcome of USAID-funded activities alone. Where possible, indicators were chosen for which there are reliable data from existing sources. In the future, it is expected that there will be threshold target levels for Agency Goal indicators which, when reached, would lead USAID to consider whether a country should be "graduated" from assistance in a particular sector or from all concessional aid.

Performance monitoring and evaluation are key features of this new system. By *performance monitoring*, USAID means measuring progress toward specific targets on performance indicators selected in a strategic plan. This lets managers know whether activities are on track, or exceeding or falling short of expectations, and allows them to take corrective actions when needed. Performance monitoring is like the dashboard of a car: the indicators give regular readings of whether the driver needs to refuel, pull over and look under the hood, and if the "car" will reach its destination on time. Performance monitoring, however, does not explain what is happening or why. That is the role of *evaluation*. Evaluations are more in-depth inquiries, usually carried out by operating units, that seek to understand why things are progressing as they are, what impacts (intended and unintended) they are having, and what actions might be taken either to put things back on track or to revise targets based on experience. USAID stresses the importance of participation by its partners and beneficiaries in these evaluations to reinforce local "ownership" of development programs and to enable everyone to learn from experience. The Agency's central evaluation office (CDIE) also carries out a number of program evaluations that examine the impact of USAID's activities and the lessons of experience by reviewing similar programs in a variety of development settings.

Annually, each operating unit prepares a Results Report and Resource Request (R4) on progress toward its objectives and the actions taken (including evaluation results) to address programs not meeting their targets. It also contains the unit's request for future funding. The R4s are a principal source of input for USAID's annual budget. This allows program performance to be reflected, along with other factors, in resource allocations. The results reports, evaluations, analysis of Agency-level indicators, and other performance information also are the basis for an Annual Report on Program Performance coordinated by CDIE.

Evolution of USAID's New PME Approach

As with most donors, the *project* has traditionally been the vehicle of USAID assistance. While substantial resources in food aid and for economic support/policy reform

have been provided through various kinds of "non-project" assistance, the project was the principal way the Agency funded its development efforts

One perceived drawback to this approach was that projects sometimes took on a life of their own, without much reference (after the initial project documentation was approved) to the broader development changes they sought to bring about. Projects often became the units of management. Attention tended to focus on providing inputs and producing outputs. Managers and counterparts became defensive about "their" projects. And it was difficult to shift funds from poorer performing projects to ones that were achieving better results.

In the late 1980s, USAID began to give more attention to *program-level* (i.e., the composite of all USAID efforts in a country) objectives and results. One significant move in this direction was the approval of special legislation for USAID assistance to Africa in 1987. The Development Fund for Africa was created to provide greater assurance of funding for Africa and programming flexibility, while requiring an increased focus on results and impacts on poor people. USAID's missions in Africa began to develop strategic plans which identified medium-term objectives, shorter-term program outcomes and performance indicators for monitoring progress toward these results. Shortly thereafter, these concepts were piloted in several missions in other regions. They became, in the early 1990s, the basis for the Program Performance Information System for Strategic Management (PRISM) coordinated by CDIE.

As its name implies, PRISM was initially an attempt to gather information at the program, as opposed to the project, level to assess the performance and results of USAID assistance. The approach to strategic planning and performance monitoring inherent in PRISM gradually became a principal Agency management system. By 1993, most USAID missions in Africa, Latin America and the Caribbean, and Asia and the Near East had identified strategic objectives and performance indicators for their programs and some were beginning to collect results information. CDIE drew on this information to prepare the first Annual Report on Program Performance in early 1993. A 1994 Agency directive mandated strategic plans for all development programs, including centrally-funded and managed activities.

Also in 1994, USAID's operations systems were "re-engineered". The proposed new system drew heavily on the PRISM experience, but took it considerably further: projects were eliminated entirely and strategic objectives and intermediate results became the basic program and management units. The "re-engineered" operations system was reflected in new policies and procedures written during 1995, and the new system went into effect in October of that year.

Until 1994, strategic objectives were set only at the mission, or country, level. This approach resulted, ideally, in objectives that were consistent with local realities and funding levels. But it also produced a wide variety of objective statements and indicators that were basically not comparable and could not easily be aggregated. This concerned senior

Agency managers who wanted to be able to compare program performance across countries and regions, and to report what the *Agency*, not just individual missions, was accomplishing

In 1994, USAID published its Strategies for Sustainable Development, which lay out the key development actions which USAID believes are essential for sustainable development to occur. Together with more detailed guidelines issued later for implementing these strategies, they identify the priorities for Agency programs. Based on these statements and a series of "indicator workshops", the Agency Strategic Framework was developed in 1995. This created a comprehensive framework within which operating unit strategic plans would be set. The Strategic Framework provides discipline in the selection of objectives, program approaches and performance indicators. It also provides a frame of reference for aggregating similar programs across countries, as well as for comparing the development progress being made by the countries in which USAID works.

Lessons Learned and Current Issues

USAID has learned a lot during the past 7-8 years as it has focused on key development objectives and designed performance monitoring and evaluation approaches that would serve as useful tools in managing for results. Not surprisingly, as the Agency gains experience, new issues emerge and a new generation of management and technical problems need to be solved. The system is still evolving, and issues and tensions remain. This section highlights some of them.

Manageable Interest vs Development Significance

Ideally, strategic objectives are simple statements of changes that are achievable within 5-8 years with the resources available. In USAID terminology, objectives should be within the "manageable interest" of an operating unit. However, the resources of most USAID missions are modest relative to the size of the countries in which they operate and the nature of the problems they are trying to resolve. This has often created a tension between the magnitude of change desired and that feasible for an outside donor to effect with limited resources. This, and concerns that they may not receive priority for funding if their objectives don't sound significant or important, has led some missions to elevate the statement of strategic objectives above what may realistically be attainable. An earlier requirement limiting the number of strategic objectives that missions could have also contributed to this. In order to fit all or most of an existing portfolio under 2-3 objectives, some were stated in broad, multidimensional terms. At its extreme, this produced objectives like "healthier, smaller, better educated families" which are very difficult to measure or attribute to USAID activities, and thus are not particularly useful for program management or reporting. Finding the proper balance between manageable interest and development significance is a constant challenge.

Changing Objectives

A system based on medium term objectives, performance indicators and targets, and results data compared to those targets takes consistency in indicators over several years to generate useful information. USAID's initial efforts at strategic planning and performance monitoring began under a previous Administration and operating units' statements of their objectives and intermediate results were based on the development strategies of that period. In 1993, a new Administration, placed considerable emphasis on articulating a different vision of Agency priorities. This resulted in the publication of the Strategies for Sustainable Development in early 1994. As a consequence, missions devoted a lot of effort to adjusting their strategic plans and results indicators to be consistent with new Agency strategies. This process continued through 1995 and the development of the Agency Strategic Framework. In addition, significant reductions in funding for foreign assistance and Congressional earmarks on appropriations led to uncertainty and lower expectations about the resources available to accomplish strategic objectives. Regardless of the merits of the changes themselves, frequent adjustments to operating units' objectives and/or the indicators chosen to monitor progress have meant that actual results information has been available much more slowly than originally expected.

Measuring Change

The reason why consistency in the choice of objectives and indicators over time is needed, of course, is because development is a gradual process. The significant changes articulated in strategic objective statements, and occasionally intermediate results, occur slowly and often can be measured only in multiyear intervals. These limits on the frequency with which reliable data can be collected sometimes conflict with the information needs of senior managers who must make annual decisions on program priorities and resource allocations.

There are also real limits in the state of art of quantitative measurement, in established as well as new development areas. Where measures are best, e.g., in population and child health, this is the result of decades of investment and experience. These investments of time and money cannot easily be replicated for areas like the environment and democracy given today's constraints. Development change is seldom even or constant in direction over the short term, subject as it is to any number of physical, political and social influences. In addition, measuring with any degree of certainty the unique contribution of USAID's activities to significant development results is even more difficult. For these reasons, it is important that expectations of performance monitoring systems be realistic. Informed judgment from evaluations and other analysis, not exclusive reliance on numbers, is needed to more fully understand development change and the performance and impact of USAID's activities.

Too Many Indicators

USAID's PME system is designed to be used by managers at all levels in the organization. To be most useful and cost-effective for senior managers, it is important to limit the information gathered for them to a few key indicators for each objective and intermediate result. Otherwise, the data are hard to interpret and costly and time-consuming to collect and report. But development is a complex business, not amenable to simple, unidimensional measurement. In fact, the closer one is to an activity, the more complex the process of measuring results appears. Activity managers often want or need more performance information. Since they are usually the ones responsible for developing and managing the system, mission strategic plans often include a large number of indicators. Attempts to deal with the limitations on measuring development change noted above have also contributed to this proliferation. Operating units may, for example, choose several indicators in order to have data on at least some each year. Care must be taken to find the right balance between collecting and reporting data that are primarily useful or interesting to those managing programs and the information senior mission or headquarters managers need to determine overall program direction and results.

Bottom-Up vs Top-Down

Development is not only complex, it occurs in very different settings. Each country has different resource endowments, different degrees of commitment, different starting points, etc. Each USAID country program also has different resource levels, and even similar resource levels may be relatively more or less significant depending on the size of the country and its economy. Experience also shows that it is very important that those charged with implementing management information systems find them useful for their needs. Thus, USAID's strategic planning and performance monitoring efforts have begun with each mission setting its own objectives and choosing indicators appropriate to its country setting. While this makes sense from a development standpoint, it is extremely difficult to "add up" the results being accomplished by USAID's programs into a composite picture. Understandably, senior headquarters managers want to be able to do this, as well as to make accurate comparisons of performance among programs. The development of the Agency Strategic Framework and continuing efforts to identify common performance indicators across similar programs complement the bottom-up approach. But it remains to be seen whether this will provide sufficient ability to compare and aggregate results.

Attribution of USAID Impact

The Agency Strategic Framework includes country level indicators that reflect the kinds of development changes that USAID seeks to bring about with its programs. However, most USAID programs themselves are not designed to have national level impacts, at least not within the timeframe of current strategic plans. One concern regularly expressed is that, at this level of aggregation, it will be difficult if not impossible to attribute changes in these indicators to USAID's activities. In most cases this is true, and attribution of USAID's direct impacts will need to be drawn from operating unit plans, results reports and evaluations. However, the Strategic Framework does provide a means of

grouping similar objectives and programs in order to say something about them beyond individual country examples. Its country focus enables USAID to examine regularly whether the nations in which it works are making the kind of development progress appropriate to their abilities. And it provides objective criteria for considering the "graduation" of countries from assistance in one or more sectors.

Availability of Reliable Existing Data

Wherever possible, indicators for Agency Goals and Objectives in the Strategic Framework were selected based on the availability of reliable, current data from existing sources. A main reason was to minimize the burden on USAID's field missions of collecting additional data not directly related to their own programs. However, in many areas this was not possible because of the kind of changes USAID wanted to measure or the absence of a suitable existing data source. The Agency will review experience with the indicators chosen and continue to explore other possible indicators and data sources, but it remains possible that to be most useful, collection of additional data may need to be requested of some or all field missions.

Difficult to Capture Program Interrelationships

Sustainable development is not just a sum of economic growth, population, environment, democracy and other programs. It is also the interaction between and mutual reinforcement of activities in each of these areas. Other important concerns, such as participation, research and women-in-development, cut across sectoral programs. Strategies and plans that use as their building blocks the five Agency Goals may miss or downplay these interrelationships. PRISM's *objective tree* method--a hierarchy of goals, objectives, intermediate program outcomes, and activities--made it very difficult to capture them. Each activity and outcome was supposed to be related to only one outcome or objective, to facilitate monitoring and attribution. The Agency's "re-engineered" operations system tries to reflect more of the interaction among activities in various sectors. The risk, however, is that this approach will be too complex to meet managers' need for a simple performance monitoring tool.

It Takes a Lot of Time to Involve Partners/Beneficiaries

Among the benefits of USAID's efforts in strategic planning and performance monitoring during the past several years have been greater involvement of people within field missions and headquarters in discussing the objectives of their programs and measures of results, and organizational changes that cut across traditional divisional lines and allow staff to work together more effectively to accomplish these results. This has taken a lot of time, particularly as objectives have changed and performance indicators have become more refined. The Agency's "re-engineered" operations systems now place added emphasis on involving those with whom USAID works--its partners and the beneficiaries (or "customers") of its programs--in this process. This has the potential to greatly increase the

effectiveness of USAID's efforts and the ownership and commitment of partners and beneficiaries to the changes the Agency is trying to bring about. It is also likely to be an even more time-consuming process.

Strategic Planning: End or Means?

Among the primary objectives of USAID's "re-engineered" operations system were to get away from what was perceived to be excessive amounts of time spent on pre-approval project documentation and to give managers greater flexibility to respond to new opportunities and adjust course when needed. Some thought that project documentation had become an end in itself and too little time was devoted to working with others to achieve actual results. However, USAID managers have spent perhaps equally substantial amounts of time over the past several years developing strategic plans and revising them to reflect new or clearer strategic focus from headquarters and/or different (usually lower) resource levels. Some missions are identifying and trying to collect information on tens or hundreds of performance indicators. There is a risk, then, that time spent on strategic planning will merely replace time spent on project planning and, likewise, become an end in itself. Without stability in strategic direction and resource levels, or internal discipline to keep the cost and management burden of the PME system as low as possible, the Agency may devote too much time to internal planning tasks at the expense of implementing, monitoring and evaluating its programs.

The Role of Evaluation

Performance monitoring and evaluation are different dimensions of the same management system in USAID. Evaluations are seen as a way of learning about experience: what is happening, what are the intended and unintended impacts of USAID's activities, why things happened the way they did. To be effective learning tools, evaluations must involve managers, contractors, counterparts, beneficiaries. They must be participatory. This view of evaluation contrasts, however, with another view--perhaps more prevalent in the Agency and the donor community generally--that evaluations should be independent, objective, rigorous, and be instruments to hold managers and contractors accountable for the results for which they are responsible. The shift to a more participatory, learning role for evaluation will not occur overnight and is by no means assured. It will require a change in USAID's institutional culture and system of incentives. The pace and success of this change will depend in no small measure on the extent to which managers perceive a "safe" environment for learning from evaluations, rather than one which puts a premium on always giving the appearance of success.

Conclusion

USAID has put in place a system of strategic planning, performance monitoring and evaluation that has vastly increased its ability to identify the key objectives it seeks to accomplish with U.S. development assistance, to involve its partners and beneficiaries in

this process, to monitor progress toward these objectives, and to understand why things happen the way they do and learn from this experience. USAID is in the forefront of U S government and international assistance agencies in using these systems to manage for results. But this approach still confronts a number of issues and unmet--perhaps conflicting--expectations. Realization of the system's potential requires significant changes in organizational culture and practice. The highly fluid and uncertain environment affecting U S foreign assistance, as well as the different information needs of managers at various levels in the organization, pose significant challenges to making the system work. An excellent start has been made, but discipline and care will be required to constantly confirm that the system is cost-effectively adding value to USAID's knowledge about its programs and to its management practices.